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Photographs by HEMANT BHATNAGAR

*Youngsters socialize at McDonald's in the Metropolitan Mall in Gurgaon.*

# The Mall Mania

In much of the world, the local marketplace has evolved over centuries from open-air stalls in the town square, to stand-alone shops, organized high streets, and then the huge shopping centers and malls that erupted across the American landscape in the 1950s and spread to Europe, East Asia and Latin America.

In India, however, the development of shopping malls has literally been a revolution. The opening of the Indian economy in the early 1990s brought a wide range of new household appliances, stylish apparel, and other consumer goodies, along with plenty of media exposure. But what the Indian consumer still lacked was a world-class shopping experience: a pleasant, open, relaxing, air-conditioned place to compare prices, quality and styles without other customers trying to squeeze

through the shop doorway or shout over one's head to the proprietor.

"A good ambience is important to inspire a desire for shopping," says Sunil Chander, vice president for marketing operations at Crossroads, India's first operational mall that opened in Mumbai in 1999. The same year Ansal Plaza was started in New Delhi. Crossroads, built by the Piramal Group, set the pattern with a stunning 150,000 square feet of retail shops, displaying branded gadgets, clothes, home furnishings and luxuries behind huge glass walls, as if the visitor had just walked into a television advertisement.

Over the past six years, those first malls have grown into six million square feet of operational shopping mall space in Mumbai, New Delhi, Bangalore and Hyderabad. Construction is proceeding so rapidly that the New York City-based

International Council of Shopping Centers predicts India will have 26.2 million square feet of malls by the end of the year, with 40 percent of it in the "national capital region" of New Delhi, Gurgaon and Noida.

"Nothing seems to symbolize India's transformation from a stagnant Third World country into an emerging economic superpower as much as its sparkling new malls," says Nidhi Benipuri, who works for American Express' business process outsourcing center in Gurgaon. Benipuri and her husband are typical of India's growing population of workaholic city-dwellers who only find time to relax and have fun when they go shopping at the local mall on their day off.

"Malls are fast identifying customer needs to serve them better," and changing Indians' buying behavior. "I don't mind

Large shopping arenas, now part of the metro lifestyle in India, are gradually penetrating the smaller cities, but most are not yet earning profits

spending money on branded, good quality stuff,” says Benipuri. “Malls provide a composite shopping experience and save a lot of time as we get almost everything under one roof.”

With their roomy, stylish and glittering interiors, a wide range of stores in one place and handy fast-food outlets, malls are becoming the ideal place to hang out, in the view of millions of urban Indians, particularly the young.

The problem for retailers and mall operators is that those crowds of youngsters and family groups strolling along and gazing at all the pretty things are often not buying. India's malls generally are not yet making a profit.

Developers, retailers and brand franchisees are betting that will change. There are about 250 modern shopping centers, including malls, under construction now

and another 250 being planned, says Amitabh Taneja, the Indian director for the International Council of Shopping Centers. “As India rushes into middle class consumerism, shopping centers have grown at an exponential pace, a pace unmatched anywhere at anytime in history,” says Taneja.

The overall size of India's retail market is estimated at Rs. 5.88 trillion, according to Mahendra K. Sanghi, president of the Associated Chambers of Commerce and Industry (ASSOCHAM). But almost all of that is unorganized, he says, noting that the organized market's share is just Rs. 50 billion, including the Rs. 6 billion in the food and grocery trade.

But by 2008, say ASSOCHAM and other experts, organized retailing is expected to reach Rs. 1.6 trillion, and malls will have a big share.

“Initiatives of the central and state governments in the form of land allocation at concessional rates, grants of loans at liberalized interest rates to promoters of shopping malls, and rationalization of state levies are prime factors that will aggressively inspire organized retailing,” says Sanghi.

Real estate developers and corporations are building, or developing plans for construction of malls in large and mid-sized cities across the country, even where malls already exist. Mumbai has 10 malls, plus two dozen shopping centers and department stores. Yet another 25 malls, measuring 90,000 to 600,000 square feet, are under construction as old, defunct textile factories in the suburbs are being converted. Space constraints and the high cost of real estate are inhibiting factors, however. A hefty Rs. 4 billion is being pumped into these projects by 20 investors, according to Images-KSA Technopak, a think tank on the retail industry.

While southern metros such as Hyderabad, Chennai and Bangalore have always had big shopping complexes (Spencer Plaza in Chennai, for instance), new ones are coming up.

The trend is spreading to smaller cities such as Jaipur, Ludhiana, Pune and Indore. The half dozen malls in Ahmedabad attracted huge crowds during the last Diwali season, with lots of freebies, discounts and lucky draws.

The economic changes initiated by the government in the 1990s provided opportunities to millions of job seekers, expanding the country's middle class and its disposable income. With this added wealth, Indians now travel more and see how shopping patterns differ elsewhere in the world. In the past, lack of money, opportunity and choice—along with traditions of asceticism and simplicity—checked the spread of the modern Western “buying is fun” culture. Television, travel, the twinkling neon lights and soaring steel facades of the Indian malls have convinced many urban Indians that it's O.K. now to go out for a weekend splurge.

The change is obvious on the once dull, dusty New Delhi-Gurgaon border. As a



half-dozen sparkling shopping centers sprout along Gurgaon's so-called Mall Mile, multi-laned highways carry streams of customers from India's capital and surrounding areas. They are dumped into a chaos of honking, swerving cars and monster-sized advertising banners.

One major difference between Indian malls and those in the United States is the allocation of parking space. Malls in America were planned on the outskirts of the cities, just as those in India, but the designs in the United States include vast

end of 2007, says Ajay Khanna, chief executive officer of DLF Retail, which runs the city's biggest mall, DLF City Centre.

A large, young working population; nuclear families in urban areas; growing numbers of working women and opportunities in the services sector are the key growth drivers of the organized retail sector. The number of Indians below the age of 34—the malls' chief hope for the future—is 728 million, almost 70 percent of the population, according to the Indian government. These youngsters meet up

Tommy Hilfiger, Swatch, Arrow, Louis Vuitton and Nike are signed up for space first to provide an "anchor" and attract other retailers. However, since India does not yet allow foreign direct investment (FDI) in the retail sector, foreign companies such as Nike, McDonald's and Reebok sell at mall outlets through their Indian subsidiaries or franchisees.

Malls are also raising the profiles and property values of residential localities near them, just as proximity to a convenient mall adds to the price of a private home in the United States, as long as the house is not too close to the traffic. Some Indian urbanites also now base their flat-buying decisions on the presence of a mall in the vicinity.

Because most Indian mall visitors are not yet mall shoppers—but come to enjoy the cool air and interesting sights—many outlets, including restaurants at malls in Gurgaon and New Delhi, have closed down. Many retailers who bought space at Fifth Avenue, one of Bangalore's earliest malls, have folded. "There will be fine-tuning and some of the not-so-good ones may not survive," says Khanna of DLF Retail. "But those who develop mall management into a fine science will be ultimate gainers."

The mall mania is based on an assumption that people will desert neighborhood retail stores and buy into the promise of a better shopping experience. But this is yet to happen. Neighborhood stores remain in place. Grocery sales are still dominated by *kirana*, or small family-owned stores, that offer credit to customers who often make daily visits.

Indian malls have not yet given space to the large grocery stores that are in most American malls, making it easier for customers to do all their shopping in one place. Some U.S. malls even have adjoining car repair garages, so the tires can be realigned and the oil changed while the family buys food, clothes, toys and gifts, then takes in a quick dinner and a movie.

"Not all centers are created equal, and there is a high probability that many of India's new centers may not survive," says Taneja of the shopping center council. "The long-term viability of any retail



*The Gold Souk in Gurgaon, promoted by the Aerens Group, is a one-stop shopping arcade for jewelry, gems and luxury watch manufacturers. More such souks are planned for Pune, Kochi and Nashik. Seen here are women coming out of the souk.*

areas for parking, in underground basements, multi-storied garages or on huge concrete fields. Indian mall developers have not had to meet the same standards as their American counterparts, who are required by government agencies to provide a set number of parking spaces for the expected number of customers. Because Indian malls are so new, developers may not have been able to estimate their popularity, but fighting to find parking space sours that pleasant shopping experience the malls are meant to offer.

Indian malls are also generally more crowded inside, with less space left unused to allow the customer a sense of openness, although many of the newest centers have play areas for children as part of the "family outing" appeal.

It's going to get more crowded, too. Gurgaon alone will have 15 malls by the

with friends at casual restaurants in the malls such as Café Coffee Days and Barista, each vying to be the Starbucks of India. More young people also view shopping—or "window-shopping" without buying—as an enjoyable pastime.

The malls feature American and European chains such as McDonald's, Lacoste, Pizza Hut, Benetton, Subway, Marks and Spencer. The success of the international branded retailers spurred Indian chains such as Pantaloon, Globus, Shoppers Stop, Giant, Lifestyle and Big Bazaar to lease space in malls.

American malls, and those in East Asian hubs such as Singapore, provide food courts as a major draw, where customers have a wide choice of different eating styles. The current Indian malls have only a few restaurants.

In malls overseas, major brands such as

development requires a design plan that can stand the test of time, particularly the inevitable onslaught of new competition. With a well conceived, thought-out and executed design plan, survivability and profitability are much more likely.”

As many malls have nothing to differentiate them from one another—just the general mix of clothing, consumer appliances and lifestyle products—for specific purchases, shoppers still must visit specialized markets. Upcoming specialty malls seem to be an answer. “When we did a study, we realized a general mall wouldn’t work,” says Rohtas Goel, chairman and managing director of Omaxe group. “Customers have specific needs.” Omaxe is building a wedding mall in Gurgaon, which will house everything from trousseau to event managers and jewelry.

The nearby Gold Souk, promoted by the New Delhi-based real estate developer Aerens Group, is a one-stop shopping arcade for jewelry, gems and luxury watch manufacturers. “In India, jewelry buying is a special occasion,” says G.S. Pillai of Gold Souk. “So we felt a secure environment where all jewelry brands are under one roof, with childcare and food facilities thrown in, would work.”

*Inside the DLF City Centre in Gurgaon.*



## AMERICAN MALLS

- Started 1930s
- Laws stipulate parking versus retail floor space ratio
- Subtle, softer music
- More open, unused space
- Similar mix of store types
- Most contain grocers
- Variety of dining choices, seen as money-earners

## INDIAN MALLS

- Started 1999
- Inadequate parking detracts from shopping experience
- Louder music in shops and public areas
- More space allocated to stores
- Innovation: themed malls
- No grocers
- Just a few fast-food purveyors, viewed as rest stops

All of Gold Souk’s shops are not yet open, however, and recently a group of a half-dozen ladies were seen leaving the mall, having looked but not purchased.

Nevertheless, Pillai believes customers will eventually prefer the malls to the traditional gold markets. Now, even the shops in “Delhi’s sprawling retail market...are taking up space in gold souks,” he says. More gold souks are being planned in other metros, as well as in cities with high gold sales such as Pune, Kochi and Nashik.

Within the next year or two, Calcutta will see a furnishings mall on Elgin Road, says the local developer, much like Arcus Plaza in Gurgaon and the upcoming Urban Spaces in Pune.

Senior Developers Ltd. talks of building

a 10-story auto mall in Gurgaon, with a rooftop testing track, but that is years away.

Retail is India’s largest industry, accounting for more than 10 percent of the country’s GDP and around 8 percent of the employment, according to figures of the National Council for Applied Economic Research (NCAER). It is one of the fastest growing sectors, but because of the high initial investments required, breaking even is difficult.

India is now examining a proposal to allow FDI into the retail sector. Big-time retailers want it, but a large section of small and middle rung sellers are opposed, saying foreign competition will be detrimental to local needs. Minister for Commerce and Industry Kamal Nath said early this year he is consulting Indian industry and preparing a policy. Only two percent of India’s retail trade is in the organized sector and half of the remainder is run by subsistence, family-run small businesses, he said.

Also, foreign mall operators cannot bring their expertise and ideas into India because FDI in real estate is now restricted to construction and development of integrated townships with a minimum area of 40 hectares.

Meanwhile, India’s middle class is exploding in size. NCAER statistics say the number of middle class workers is 300 million, each earning Rs. 100,000 to 300,000 a year, and is predicted to rise to 445 million in the next couple of years. The future of malls seems promising. □

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